

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

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E.O. 11652: N/A

TAGS: ECON, GH

SUBJ: GOG OFFICIAL DISCUSSES ECONOMY

REF: A ACCRA 5638, B ACCRA 5538

1. SUMMARY. THE HEAD OF THE GOG CAPITAL INVESTMENTS BOARD (CIB), DISCUSSED SOME ASPECTS OF STABILIZATION PROGRAM GOG TEAM WORKED OUT WITH IMF IN WASHINGTON RECENTLY. PROGRAM WOULD INCREASE COCOA PRICE PAID TO FARMERS AND RAISE BONUSES TO EXPORTERS. BUDGET DEFICIT WOULD BE CUT, IN PART BY REDUCING GOVERNMENT SPENDING ON CONSTRUCTION. RECENT ECONOMIC REFORMS ARE IN HARMONY WITH STABILIZATION PROGRAM WHILE THE NEW MINIMUM WAGE PROMISES TO WORSEN THE BUDGET DEFICIT. GOG PLANS TO AWAIT THE RESULTS OF THE ECONOMIC REFORMS BEFORE FOLLOWING UP ON STABILIZATION PROGRAM WITH IMF. CIB HEAD REVIEWED NEGOTIATIONS FOR ALUMINUM ROLLING MILL, TO BE SUPPLIED BY U.S. FIRM. FINANCING FOR THIS PROJECT HAS YET TO BE SECURED. HE ALSO DESCRIBED A PROPOSAL FOR REPATRIATION OF BLOCKED FUNDS OF FOREIGN INVESTORS. END SUMMARY.

2. THE HEAD OF THE GOG CAPITAL INVESTMENTS BOARD, ADUSEI-POKU, WAS AMONG GOG DELEGATION RECENTLY IN WASHINGTON TO DISCUSS
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GHANAIAN ECONOMIC SITUATION WITH IMF. IN JULY 25 MEETING WITH AMBASSADOR AND COMMERCIAL ATTACHE, ADUSEI-POKU NOTED PROGRAM WAS TO INCLUDE RAISING THE COCOA PRICE TO FARMERS TO CEDIS 45 PER HEADLOAD (30 KILOS) AND CUTTING SUBSIDIES ON INPUTS. THIS MEASURE WAS OVERTAKEN BY EVENTS, AS THE NEW COCOA PRICE OF 30 CEDIS PER HEADLOAD WAS ANNOUNCED WHILE THE DELEGATION WAS IN THE U.S. ADUSEI-POKU NOTED

THAT THE EXPORT BONUSES RECENTLY ANNOUNCED BY NEW COMMISSIONER FOR FINANCE, APPIAH, (EF B) WERE LESS THAN THOSE ENVISAGED IN THE STABILIZATION PROGRAM.

3. ACCORDING TO ADUSEI-POKU, THE STABILIZATION PROGRAM AIMS TO CUT THE BUDGET DEFICIT 50 PERCENT TO AROUND CEDIS 400 MILLION. HE, UNLIKE COMMISSIONER APPIAH, WAS NOT SPECIFIC AS TO HOW REVENUES COULD BE INCREASED, BUT SAID THAT CAPITAL SPENDING COULD BE REDUCED BY LIMITING GOG BUILDING PROJECTS. HE NOTED THAT GOVERNMENT CONTRACTORS TEND TO TAKE ON MORE PROJECTS THAN THEY CAN COMPLETE. ADUSEI-POKU OBSERVED THAT THE RECENTLY ANNOUNCED MINIMUM WAGE OF FOUR CEDIS PER DAY (REF B) IS A SETBACK IN REDUCING THE LARGE BUDGET DEFICIT.

4. ACCORDING TO ADUSEI-POKU, THE GOG HAS DECIDED TO OBSERVE THE RESULTS OF THE MEASURES ANNOUNCED BY THE FINANCE COMMISSIONER BEFORE GOING AHEAD WITH THE STABILIZATION PROGRAM. HE INDICATED THERE ARE PLANS TO DISCUSS THE STABILIZATION PROGRAM WITH THE IMF IN SIX MONTHS OR SO.

5. CONCERNING THE FOREIGN EXCHANGE SITUATION, ADUSEI-POKU CONFIRMED THAT GHANA HAD SOLD PERHAPS TWENTY-FIVE PERCENT OF 1976-77 COCOA CROP FORWARD WHEN PRICES WERE LOWER AND HAD THUS NOT BENEFITED FROM THE RECORD HIGH PRICES THAT PREVAILED LATER. HE DOES FORESEE A WINDFALL GAIN FROM COCOA LIMITED OFFICIAL USE

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SALES AT THE CURRENT HIGH PRICE. HE NOTED THAT THE CURRENT LEVEL OF PRICES COULD NOT BE MAINTAINED, HOWEVER.

6. DURING HIS STAY IN THE U.S. ADUSEI-POKU VISITED HUNTER ENGINEERING OF RIVERSIDE, CALIFORNIA. THE GOG HAS SIGNED A LETTER OF INTENT WITH HUNTER FOR THE CONSTRUCTION OF AN ALUMINUM ROLLING MILL. THE MILL, TO BE BUILT IN TEMA AT A COST OF AROUND DOLS \$25 MILLION, WILL USE RAW MATERIALS FROM THE VALCO (KAISER-REYNOLDS) PLANT THERE. ACCORDING TO ADUSEI-POKU, HUNTER WILL NOT INVEST IN THE ENTERPRISE, BUT IS SEEKING FINANCING FROM THE BANK OF AMERICA FOR THE SALE OF EQUIPMENT AND SERVICES. BANK HAS REPORTEDLY APPROACHED EXIM ABOUT THE ROLLING MILL.

7. SOME TIME AGO ADUSEI-POKU RECOMMENDED THAT THE GOG ESTABLISH A PROGRAM FOR REPATRIATING THE BLOCKED PROFITS AND DIVIDENDS OF FOREIGN OWNED FIRMS, AS WELL AS THEIR RECEIPTS FROM THE SALE OF SHARES UNDER THE INVESTMENT POLICY DECREE. BECAUSE OF THE LARGE EMERGENCY FOOD IMPORTS THIS YEAR, FULL IMPLEMENTATION OF THE PROGRAM HAS BEEN POSTPONED. PRESENT PLANS CALL FOR TRANSFERRING ABOUT CEDIS 25 MILLION THIS YEAR, OR ABOUT TWICE WHAT HAS BEEN REPATRIATED IN

RECENT YEARS. FULL IMPLEMENTATION OF THE PROGRAM WILL
BEGIN NEXT YEAR AND TRANSFERS ARE TO BE ABOUT CEDIS 60
MILLION FOR FIVE YEARS.

8. COMMENT: ADUSEI-POKU'S REMARKS AMPLIFY THOSE OF THE
COMMISSIONER OF FINANCE (REF A). THE HEAD OF THE CIB SEEMS
TO BE PLAYING A MORE IMPORTANT ROLE IN THE FORMULATION OF
GOG ECONOMIC POLICY THAN PREVIOUSLY. HE RECOGNIZES THAT
THE BLOCKING OF FUNDS (PROFITS AND RECEIPTS FROM THE SALE
OF SHARES) OF EXPATRIATE COMPANIES DISCOURAGES NEW FOREIGN
INVESTMENT. HE SAID HE EVEN RECOMMENDED OVERSEAS BORROWING
TO FINANCE THESE TRANSFERS. WITH THE CONTINUING FOREIGN
EXCHANGE CONSTRAINT AND THE NEED FOR IMPORTED FOOD AND
RAW MATERIALS FOR INDUSTRY, IT IS UNLIKELY THAT THE
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REPATRIATION OF PROFITS CAN BE IMPLEMENTED AS PLANED.
SMITH

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